



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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**12 VAC 30-120 –Alzheimer’s Assisted Living (AAL) Waiver**  
**Department of Medical Assistance Services**  
August 15, 2006

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### **Summary of the Proposed Regulation**

The proposed regulations establish a Medicaid waiver program to provide additional services to residents of assisted living facilities, who receive an Auxiliary Grant, who meet nursing facility criteria, and who have a diagnosis of Alzheimer’s or a related dementia. The Department of Medical Assistance Services started receiving applications on July 1, 2006 under emergency regulations.

### **Result of Analysis**

The benefits likely exceed the costs for all of the proposed changes.

### **Estimated Economic Impact**

Pursuant to Item 326 SS of the 2004 Acts of Assembly, these regulations establish Alzheimer’s Assisted Living (AAL) Waiver program for individuals, who receive an Auxiliary Grant, who meet nursing facility criteria, and who have a diagnosis of Alzheimer’s or a related dementia . The program has started in July 2006 under the emergency regulations. The waiver program is established under section 1915(c) of the federal Social Security Act, which encourages the states to provide home and community based services as alternatives to institutionalized care. The main purpose of waiver programs is to prevent or delay placement of persons in institutions by providing care for individuals in their homes and communities consequently avoiding high long-term care costs. States wishing to implement such waiver programs are required to demonstrate that the costs would be lower under a waiver than they would be without it.

The proposed waiver program provides additional services to Auxiliary Grant recipients with Alzheimer’s or a related dementia. The main goal of the waiver services is to improve or

maintain the health status of an individual with Alzheimer's or a related dementia by providing specialized services in addition to assisted living services provided through Auxiliary Grant.

AAL Waiver services are likely to have economic effects on the recipients, the state, and the health care system. Individuals are expected to benefit from these services in terms of receiving services that are specific to their condition. This waiver is available to individuals who reside in or are seeking admission to an assisted living facility who may currently be (i) remaining at home where a relative may be helping as a primary care giver, (ii) residing in an assisted living facility possibly without the benefits of specialized services, or (iii) residing in a more restrictive setting such as a nursing facility. Thus, these services are expected to reduce the likelihood of institutionalization and provide fiscal savings as well as helping family members of the recipient.

Despite the expected overall benefits, the provision of specialized services is not free. Currently, funding is provided for 200 individuals. The estimated fiscal cost for medical and administrative expenses is approximately \$2.6 million in the first year and \$3.7 Million thereafter. One half of these funds is provided by the Commonwealth while the other half is provided by the federal government.

### **Businesses and Entities Affected**

Currently, the number of individuals AAL Waiver could serve is 200 through approximately 115 assisted living providers. Of the 115 assisted living facilities, only three are currently providing specialized services and two are expected to come online soon.

### **Localities Particularly Affected**

The proposed regulations apply throughout the Commonwealth.

### **Projected Impact on Employment**

The proposed changes are expected to increase the demand for labor by providers in order to provide specialized services to Auxiliary Grant recipients. Also, the administration of the program adds to the staffing needs of the Department of Medical Assistance Services creating a positive effect on demand for labor.

## **Effects on the Use and Value of Private Property**

The proposed regulations are expected to increase the asset value of assisted living providers as their revenues and profits are expected to be positively affected.

## **Small Businesses: Costs and Other Effects**

All of the assisted living providers could be considered as small businesses. However, the proposed regulations are not likely to create any significant costs for the affected small businesses.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed regulations are not expected to have any adverse impact on small businesses.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.